



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0446	Title:	Revise specialty hospital law
Primary Sponsor:	Story, Bob	Status:	As Amended

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$13,400	\$1,200	\$0	\$0
State Special Revenue	\$10,000	\$30,000	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$20,000	\$20,000	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$13,400)</u>	<u>(\$1,200)</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

SB 446 provides licensing requirements for specialty hospitals. It is estimated that two applications will be received and processed during the first two years after approval of this proposed bill.

FISCAL ANALYSIS

Assumptions:

1. Hospital licensure is provided by the Department of Public Health and Human Services (DPHHS), Quality Assurance Division (QAD), Licensure Bureau.
2. Currently there are no licensed specialty hospitals in Montana.
3. The bill requires an impact study as part of the application process. These requirements include a quasi-certificate of need that involves financial considerations for licensure.

4. Based upon the impact study requirements, the department will need the assistance of a consultant in the development of standards for the selection of independent consultants to conduct an impact study, determine the scope of the impact study, and evaluate the results of the impact study.
5. Due to the complexity of the impact study requirements for licensure, the department estimates approximately six months will be needed to develop and adopt administrative rules. Therefore, it is estimated that the department will be able receive applications beginning in January 2010.
6. It is estimated that two applications will be received.
7. The estimated cost for a department consultant is approximately \$50,000, based upon the three processes required in the bill:
 - a. \$10,000 to address the need for assistance in the development of standards for the selection of independent consultants identified by the applicant to conduct an impact study (\$100 per hour x 100 hours = \$10,000) This cost is anticipated to be a one-time only expenditure.
 - b. \$20,000 to determine the scope/criteria of two impact studies (\$100 per hour x 100 hours x 2 applications = \$20,000)
 - c. \$20,000 for technical assistance to evaluate the results of the impact study from an independent perspective (\$100 per hour x 100 hours x 2 applications = \$20,000).
8. It is estimated that \$20,000 of this cost will be incurred in FY 2010 and \$30,000 will be incurred in FY 2011.
9. The costs for the department consultant, as identified in assumption #7 b and c, will be paid by the applicant at the time of application. The costs are reflected in state special revenue for purposes of this fiscal note. It is estimated that \$10,000 will be incurred with state special revenue in FY 2010 and \$30,000 will be incurred with state special revenue in FY 2011.
10. The estimated cost for rule development is \$3,000. The total publication cost is based upon the Office of Legal Affairs estimate of 60 pages of rules to implement the bill. Publication costs for rules at the Secretary of State's office are \$50/page, or \$3,000.
11. Staff time to develop the rules will take approximately 400 hours. The assistance of agency legal staff is estimated at 20 hours. This workload will be completed by existing staff in QAD and agency legal staff.
12. It is assumed that these departmental costs (development of standards by a consultant, and rule development/publication costs) will be funded by the general fund as they cannot be assigned to the first applicants only.
13. The New Section 5 application process includes the opportunity for public comment on two occasions for each application. It is assumed that the requirements of public participation will require department travel to the location of the proposed specialty hospital to conduct a public hearing process.
14. It is estimated that the travel costs for two applications will be \$1,600, based upon average staff travel costs experienced by the division. The average cost is approximately \$400 per trip. (Cost is based on a three- member team, average round trip travel of approximately 500 miles, per diem, and lodging for one night.)
15. It is estimated that one trip will occur in FY 2010 at a cost of \$400, and three trips are likely to occur in FY 2011 at a cost of \$1,200 (3 x \$400 = \$1,200).
16. The revenue derived from each applicant will be deposited into a state special revenue fund to pay for the costs of the impact study and consultant services related to the specific application.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$23,400	\$31,200	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$13,400	\$1,200	\$0	\$0
State Special Revenue (02)	\$10,000	\$30,000	\$0	\$0
TOTAL Funding of Exp.	\$23,400	\$31,200	\$0	\$0
<u>Revenues:</u>				
State Special Revenue (02)	\$20,000	\$20,000	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$13,400)	(\$1,200)	\$0	\$0
State Special Revenue (02)	\$10,000	(\$10,000)	\$0	\$0

Technical Notes:

1. The requirements contained in 50-5-245 (5) refer to the definition of “hospital” in 50-5-101. This term does not include critical access hospitals, per 50-5-101(28)(b). Therefore, critical access hospitals are assumed to be excluded from the ability to enter into a joint venture proposal.
2. On Page 4, Line 28 it indicates that hospitals must have medical personnel available to provide emergency care on site 24 hours a day and “may include any other service allowed by state licensing authority.” It is unclear what is meant by this reference.
3. On page 9, Line 1, new Section 2 (1)(b) describes requirements for charity care policies applicable to the “area the facility serves.” There is no “service area” definition identified in the proposed bill. Hospital service areas vary on the facility, size, services, and location.
4. On page 9, Line 3, new Section 2 (2) proposes that a hospital cannot transfer a patient based on an inability to pay for services. Currently, the Licensure Bureau does not investigate issues regarding patient billing. It is unclear whether the department would be expected to conduct investigations of this type. If this does, then the department would require one additional FTE to receive and investigate complaints and initiate corrective action as provided in the licensing regulations.
5. On Page 9, Line 24 appears to be in conflict with the 20-minute response requirement referred to in the definition of a hospital on Page 4, line 25.
6. On Page 10, Lines 1-4, it appears that for-profit hospitals are excluded from the opportunity to participate in joint ventures regarding the licensing of specialty hospitals.
7. Fiscal note has been revised based upon clarification of the applicant’s responsibility for consultant costs.

*Sponsor’s Initials*_____
*Date*_____
*Budget Director’s Initials*_____
Date

**Dedication of Revenue 2011 Biennium**GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING**17-1-507-509, MCA.**

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

No. The bill requires an impact study as part of the application process and those applying for this licensure pay for it.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

This is an ongoing process and revenue and expenditures can be tracked separately.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes, the applicant in this process will pay to fund the needed services.

- d) **Does the need for this state special revenue provision still exist? ___ Yes ___ No (Explain)**

Yes.

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

This dedicated revenue will allow the legislature to exam how the dollars are appropriated and control spending.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes, if the proposed bill passes and the legislature recognizes the need for specialty hospital licensure, this revenue will support that need.

- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

In order to assume that the cost of the consultants is billed appropriately, a state revenue fund is the best way to track it.